No. 84-446

Office - Supreme Court, U.S.
FILED
NOV 1 1984
ALEXANDER L. STEVAS
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

HYATT LEGAL SERVICES and JOEL HYATT,

Petitioners,

—v.—

HYATT CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

REPLY BRIEF FOR PETITIONERS

JAY GREENFIELD
(Counsel of Record)
345 Park Avenue
New York, New York 10154
(212) 644-8124

MAX E. WILDMAN
DAVID L. SCHIAVONE
One IBM Plaza, Suite 3000
Chicago, Illinois 60611
(312) 222-0400

Attorneys for Petitioners

THOMAS J. FLEMING
PAUL, WEISS, RIFKIND, WHARTON & GARRISON
A partnership including professional
corporations

WILDMAN, HARROLD, ALLEN & DIXON

Of Counsel

TABLE OF CONTENTS

	PAGE
Table of Authorities	i
1. The Commerce Clause	1
2. Extraterritorial application of the Illinois Anti-Dilution Act	3
3. Preemption	4
4. The interlocutory nature of the order	5
5. Respondent's waiver argument	6
Conclusion	7

TABLE OF AUTHORITIES

Cases:	PAGE
Aetna Life Insurance Co. v. *Dunken*, 266 U.S. 389 (1924)	4
Allstate Insurance Co. v. *Hague*, 449 U.S. 302 (1981)	4
Baldwin v. *G.A.F. Seelig, Inc.*, 294 U.S. 511 (1935)	4
Brotherhood of Locomotive Firemen v. *Bangor & Aroostock Railroad Co.*, 389 U.S. 327 (1967)	5 n.3
Carlson v. *Green*, 446 U.S. 14 (1980)	6
Community Communications Co. v. *City of Boulder*, 455 U.S. 40 (1982)	6
County of Imperial v. *Munoz*, 449 U.S. 54 (1980)	6
Edgar v. *Mite Corp.*, 457 U.S. 624 (1984)	2, 3
Houchins v. *KQED, Inc.*, 438 U.S. 1 (1978)	6

PAGE

Jacksonville Bulk Terminals, Inc. v. *International Longshoremen's Ass'n*, 457 U.S. 702 (1982) 6

Keeton v. *Hustler Magazine, Inc.*, 104 S. Ct. 1473 (1984) . 3, 4

Pennoyer v. *Neff*, 95 U.S. 714 (1877) 4

Southern Pacific Co. v. *Arizona*, 325 U.S. 761 (1945) 4

United States v. *Mendenhall*, 446 U.S. 544 (1980) 6

United States v. *Patrin*, 575 F.2d 708 (9th Cir. 1978) 6

Youakim v. *Miller*, 425 U.S. 231 (1976) 6

Statutes:

U. S. Const. art. I, § 8, cl. 3 2

U. S. Const. amend. XIV, § 1 4

15 U.S.C. §§ 1051-1127 (1982) ..... *passim*

Ill. Rev. Stat. ch. 140, § 22 (Supp. 1984) ..... *passim*

Ill. Rev. Stat. ch. 140, §§ 19-21 & 24-27 (Supp. 1984) 3

IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

No. 84-446

HYATT LEGAL SERVICES and JOEL HYATT,

Petitioners,

—v.—

HYATT CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

REPLY BRIEF FOR PETITIONERS

Respondent's brief in opposition does not seriously dispute the importance of the constitutional questions presented by the Seventh Circuit's novel decision that Hyatt Legal Services may not continue to operate under the surname of its founding partner, as it has for the past seven years. Instead, respondent stresses procedural objections that can neither withstand analysis nor make the constitutional questions less ripe for review.

1. The Commerce Clause

Hyatt Hotels does not deny that, among anti-dilution statutes, the Illinois Act (as interpreted by the Seventh Circuit, but not by the Supreme Court of Illinois) is an anomaly: It renders illegal the use and advertising of a name in Illinois, although that name is lawful in all or most other states, and has not been shown to be confusing, to

constitute unfair competition or to cause any discernible injury to respondent or the public. (Pet. at 8-9 & 14)[1] Respondent does not even deny that the Court of Appeals' construction of the Illinois statute would impose substantial burdens upon interstate businesses, like Hyatt Legal Services.

Moreover, respondent apparently agrees that, under the Seventh Circuit decision, an Illinois cement maker named Calvin Klein *could* halt sales in that state by the fashion designer with the same name. For Hyatt Hotels, the only issue is how much local advertising would be needed for the cement maker to require the designer to change its established name. (Opp. Br. at 8)

These tacit concessions are themselves sufficient to demonstrate that the decision below raises significant questions under the Commerce Clause.

Respondent also fails in its attempt to reconcile the decision below with the Commerce Clause principles articulated and applied in *Edgar* v. *Mite Corp.*, 457 U.S. 624 (1982). (Opp. Br. at 9-10) In at least three respects, respondent misreads both *Edgar* and the record in this case.

First, respondent asserts that the burdens imposed upon Hyatt Legal Services under the injunction ordered will be "minimal"—a matter of changing stationery and store signs. (Opp. Br. at 10) This ignores the District Court's opinion, as well as common sense. As the District Court recognized, a new name would require extensive changes in the law firm's operations; it would also compel Hyatt Legal Services to bear the difficult-to-measure "cost of re-educating the public to a different name or of accepting disclaimers . . . ." (Pet. app. B at 17a) A court order requiring a law firm to change its name would inevitably injure that firm's good will and reputation.

Second, Hyatt Hotels is simply mistaken in asserting that the Illinois Act "provides the only protection" for its state rights in the Hyatt name. (Opp. Br. at 10) The panoply of rights created by other

---

1 "Pet." and "Opp. Br." are used in this brief as abbreviations for petitioners' Petition and respondent's brief in opposition.

Illinois trademark laws (*see* Ill. Rev. Stat. ch. 140, §§ 19-21 & 24-27 (Supp. 1984)) fully protect respondent's service mark—as does the Lanham Act. The Seventh Circuit, however, has chosen to go beyond these statutes, just as it did in *Edgar* v. *Mite Corp.*, *supra*, where provisions in the Illinois Business Takeover Act improperly went "beyond those mandated by the Williams Act." 457 U.S. at 645. In *Edgar*, this Court recognized that these extra "safeguards" were illusory and could not justify the burdens that they imposed upon interstate trade. *Id.* The added "protection" here is equally unjustifiable.

Third, respondent suggests that *Edgar* is inapplicable, and the injunction appropriate, because Hyatt Hotels is headquartered in Illinois and the Illinois Act advances the State's interest in protecting the "marks of [Illinois] citizens." (Opp. Br. at 9) Again, this Court dismissed a similar argument in *Edgar*, observing that the application of the Illinois statute there, like the Illinois Anti-Dilution Act, was not limited by local citizenship or principal place of business and thus could not be justified as protecting Illinois interests. 457 U.S. at 645.

2. Extraterritorial application of the Illinois Anti-Dilution Act

In arguing for extraterritorial application of the Illinois Act, respondent relies upon *Keeton* v. *Hustler Magazine, Inc.*, 104 S. Ct. 1473 (1984).[2] Nothing in *Keeton*, however, supports respondent's position that Illinois may extend its laws to Hyatt Legal Services' activity in other states and bar the firm from operating under a name that is lawful in those states.

In *Keeton*, the Court addressed the question whether New Hampshire had jurisdiction to entertain a libel suit that was time-barred in other states where the alleged libel had circulated. It did not rule upon the extraterritorial application of New Hampshire law. To the contrary, in finding jurisdiction, the Court articulated the limits of

---

2 Petitioners maintain that the Court of Appeals decision did not, and could not, require an injunction outside Illinois. Respondent contends the contrary, and we address its arguments here.

its holding: "We conclude only that the district court has jurisdiction to *entertain* petitioner's multi-state libel suit." 104 S. Ct. at 1480 n.9 (emphasis in original). The Court emphasized that its ruling did not address "[t]he question of the applicability of New Hampshire's statute of limitations to claims for out-of-state damages . . . ." *Id.* at 1480.

Respondent's one other citation from this Court, *Allstate Insurance Co.* v. *Hague*, 449 U.S. 302 (1981), actually confirms the unconstitutionality of an extraterritorial application of Illinois' anomalous anti-dilution law. In *Allstate*, the Court affirmed that the Due Process Clause prohibited a state from applying its laws to an out-of-state transaction unless there existed "a significant contact [with the transaction] . . . creating state interests." 449 U.S. at 313. Here, Hyatt Legal Services' operations in Ohio, California and other states, have no contact at all with Illinois.

Finally, the elementary principle for which we cited *Pennoyer* v. *Neff*, 95 U.S. 714, 722 (1877)—that Illinois has no power to project its anti-dilution law into other states—is hardly a "shibboleth." (Opp. Br. at 12 n.4) While subsequent cases have revised the section of the *Pennoyer* decision concerning personal jurisdiction, *Pennoyer*'s declaration of the fundamental limits on state regulatory power remains sound law. *See, e.g., Southern Pacific Co.* v. *Arizona*, 325 U.S. 761, 775 (1945); *Baldwin* v. *G.A.F. Seelig, Inc.*, 294 U.S. 511, 521 (1935); *Aetna Life Insurance Co.* v. *Dunken*, 266 U.S. 389 (1924). Each case cited by respondent in its efforts to avoid *Pennoyer* involves personal jurisdiction only, not, as in this case, an attempt to apply state law extraterritorially. (Opp. Br. at 12 n.4)

3. Preemption

On the preemption issue, Hyatt Hotels addresses arguments we never made. Contrary to respondent's suggestion, we do not challenge the constitutionality of trademark laws in all 50 states or of anti-dilution statutes outside of Illinois. (Pet. app. E) We challenge only the Seventh Circuit's unique construction of the Illinois Anti-Dilution Act because (among other things) that construction would enlarge the rights of federal trademark holders beyond the bounda-

ries established by Congress, and would proscribe conduct lawful under the Lanham Act. It would not, as Hyatt Hotels argues, merely operate in a "different and complementary realm" with the Lanham Act. (Opp. Br. at 16) As this case demonstrates, under the Court of Appeals' decision Illinois' trademark law would be applied to prohibit petitioners' interstate law firm from offering its legal services in a manner that the Lanham Act recognizes as proper.

4. The interlocutory nature of the order

Respondent argues that certiorari should be denied because the injunction would be preliminary, not permanent. (Opp. Br. at 7) This argument ignores the actual impact of the injunction, the fact that it raises serious constitutional questions, and this Court's historical willingness to review preliminary injunctions under comparable circumstances.

Unless this Court intervenes now, Hyatt Legal Services will, in the near future, have to abandon its established name in Illinois—and, according to respondent, in all other states where it now practices law or may do so. There is nothing hypothetical about such an injunction or the injury it would cause.[3] Nor is there any basis to assume that, if petitioners ultimately prevail, the harm could be ameliorated by changing the name back to Hyatt Legal Services. To the contrary, such a "flip flop" might only serve to aggravate the injury. In short, a preliminary injunction could well be the end of the ball game.

Moreover, the constitutional infirmities of such an injunction would be no different now than at the end of trial. Deferring resolution of the constitutional questions would only permit the Seventh Circuit's error to confuse the law further—and, of course, to injure petitioners irreparably. (Pet. app. B at 17a)

---

3 Compare *Brotherhood of Locomotive Firemen* v *Bangor & Aroostock Railroad Co.*, 389 U.S. 327 (1967), cited by respondent (Opp. Br. at 7), where the questions presented were hypothetical since the circuit court had merely ruled on "various legal [contempt] issues" but had remanded to the district court "to consider whether there had in fact been a contempt." 389 U.S. at 328.

This Court has regularly reviewed preliminary injunction orders where, as here, important questions are presented. *E.g.*, *Jacksonville Bulk Terminals, Inc.* v. *International Longshoremen's Ass'n*, 457 U.S. 702 (1982) (preliminary injunction barring work stoppage); *Community Communications Co.* v. *City of Boulder*, 455 U.S. 40 (1982) (preliminary injunction under the Sherman Act); *County of Imperial* v. *Munoz*, 449 U.S. 54 (1980) (preliminary injunction barring enforcement of land permit provisions); *Houchins* v. *KQED, Inc.*, 438 U.S. 1 (1978) (preliminary injunction granting media access to jail). We respectfully submit that there is every reason for it to do so here.

5. Respondent's waiver argument

Although it is the first point in respondent's brief, the waiver argument deserves little attention. It is purely technical, as demonstrated by respondent's failure even to claim prejudice or surprise. It is also erroneous.

The evidentiary hearing and arguments in the District Court focused on the Lanham Act. (Tr. at 107-118) Once the Court of Appeals' decision altered the focal point of this suit, petitioners, in their petition for rehearing, expressly raised each of the consitutional questions presented here. Thus, these questions were preserved for review on certiorari. *See United States* v. *Mendenhall*, 446 U.S. 544, 551 n.5 (1980).

This Court, moreover, has not hesitated to review important questions even if they are raised for the first time in a petition for certiorari. *E.g.*, *Carlson* v. *Green*, 446 U.S. 14, 17 n.2 (1980); *Youakim* v. *Miller*, 425 U.S. 231 (1976). *Cf. United States* v. *Patrin*, 575 F.2d 708, 712 (9th Cir. 1978) (appellate review appropiate where "the issue . . . neglected in the trial court is purely one of law."). *A fortiori*, when, as here, important constitutional issues are expressly raised in the Court of Appeals and there is no possible surprise or prejudice, an improper injunction should not be permitted on some attenuated "waiver" ground.

Conclusion

For the foregoing reasons, as well as the reasons set forth in petitioners' Petition, the Court should grant a writ of certiorari to review the decision below.

Respectfully submitted,

JAY GREENFIELD
(Counsel of Record)
345 Park Avenue
New York, New York 10154
(212) 644-8124

MAX E. WILDMAN
DAVID L. SCHIAVONE
One IBM Plaza, Suite 3000
Chicago, Illinois 60611
(312) 222-0400

Attorneys for Petitioners

THOMAS J. FLEMING
PAUL, WEISS, RIFKIND, WHARTON & GARRISON
A partnership including professional corporations

WILDMAN, HARROLD, ALLEN & DIXON

Of Counsel

Dated: November 1, 1984